



Executive Branch Employees: January 2011 and August 2012

ISSUE

This **Issue Review** examines the change in the number of Executive Branch employees, supervisors, and payroll between January 2011 and August 2012. In recent years, a variety of factors have encouraged a reduction in the number of State employees. Salary adjustment that pays for contract-related salary and benefits increases has not been funded, limiting departments' ability to pay increasing personnel costs. Early retirement packages have been offered encouraging higher paid employees to retire. Beginning in January 2011, the Governor set a goal of reducing the cost of State government by 15.0%¹ which could impact the number of employees.

AFFECTED AGENCIES

Executive Branch Agencies

METHODOLOGY

Data from the Legislative Services Agency's salary model² for the January 25, 2011, and August 7, 2012, bi-weekly payroll for Executive Branch departments was utilized for this analysis. This information is based on each warrant paid on the two dates and represents a headcount of employees and not full-time equivalent positions (FTE).³ For purposes of this **Issue Review**, supervisors and nonsupervisory employees are analyzed separately.

Ten of the largest Executive Branch agencies were examined individually:

- Department of Administrative Services (DAS)
- Department of Corrections (DOC)
- Department of Education (DE)
- Department of Revenue (DR)
- Department of Transportation (DOT)
- Department of Public Safety (DPS)
- Department of Human Services (DHS)
- Department of Inspections and Appeals (DIA)
- Department of Natural Resources (DNR)
- Department of Public Health (DPH)
- Other smaller State Agencies were grouped together

The Regents employees are not processed through the State payroll system and are not included in this examination.

¹ Office of the Governor Goals: <https://governor.iowa.gov/goals/15-reduction-in-the-cost-of-government/>.

² The salary model is used for estimating personnel costs and utilizes data from the State's payroll system. The data include a variety of payroll information such as job classifications, pay grades, salary, bargaining status, employment dates, accrued vacation, and other variables. The warrant amount is gross pay that includes overtime and other forms of pay but not benefits.

³ An FTE position is equal to one FTE working 2,080 hours per year. This is a way to standardize the weighting of positions. A half-time position equates to 0.5 FTE position, and two half-time positions equates to 1.0 FTE position even though two people would be employed.

RESULTS

Table 1
Nonsupervisory Employee Payroll Costs, Warrants Written, and
Average Pay by Department for January 2011 and August 2012

	January 2011 Payroll	Warrants January 2011	August 2012 Payroll	Warrants August 2012	Change in Payroll	Percent Change	Change in Warrants	Percent Change
DAS	794,981	342	\$ 740,287	312	\$ -54,694	-6.9%	-30	-8.8%
DOC	8,061,669	3831	7,685,894	3661	-375,775	-4.7%	-170	-4.4%
DE	1,613,768	698	1,611,887	701	-1,881	-0.1%	3	0.4%
DR	647,601	295	624,425	292	-23,176	-3.6%	-3	-1.0%
DOT	5,739,536	2990	5,460,634	2598	-278,902	-4.9%	-392	-13.1%
DPS	1,878,910	838	1,762,043	788	-116,867	-6.2%	-50	-6.0%
DHS	9,140,165	5112	8,791,168	4936	-348,997	-3.8%	-176	-3.4%
DIA	1,241,577	541	1,216,806	530	-24,771	-2.0%	-11	-2.0%
DNR	1,962,333	938	2,112,418	1222	150,085	7.6%	284	30.3%
DPH	992,671	508	934,799	469	-57,873	-5.8%	-39	-7.7%
Other	8,243,556	4185	7,737,971	3936	-505,585	-6.1%	-249	-5.9%
Statewide	<u>\$ 40,316,767</u>	<u>20,278</u>	<u>\$ 38,678,331</u>	<u>19,445</u>	<u>\$ -1,638,436</u>	<u>-4.1%</u>	<u>-833</u>	<u>-4.1%</u>

	Jan 2011 Avg Annual Pay	Aug 2012 Avg Annual Pay	Change in Avg Pay	Percent Change
DAS	\$ 60,437	\$ 61,691	\$ 1,253	2.1%
DOC	54,712	54,584	-128	-0.2%
DE	60,112	59,785	-327	-0.5%
DR	57,077	55,599	-1,477	-2.6%
DOT	49,909	54,648	4,739	9.5%
DPS	58,296	58,138	-157	-0.3%
DHS	46,488	46,307	-181	-0.4%
DIA	59,669	59,692	23	0.0%
DNR	54,393	44,945	-9,448	-17.4%
DPH	50,806	51,823	1,017	2.0%
Other	51,214	51,115	-100	-0.2%
Statewide	<u>\$ 51,693.26</u>	<u>\$ 51,716.98</u>	<u>\$ 24</u>	<u>0.0%</u>

Note: There was a 2.0% cost-of-living adjustment (COLA) in July 2012.

Nonsupervisory employees make up 92.2% of the State employees. **Table 1** shows the number of persons employed in nonsupervisory positions, the total payroll, and the average bi-weekly paycheck amounts by Department for the pay periods examined. There was a decrease of 1,117 (5.8%) employees for all State agencies except for DNR, which increased by 284 (30.3%). The DNR hires temporary employees to accommodate seasonal employment. The DOT had the largest proportionate decrease in employees, shrinking by 13.1% as many temporary employees left. The DAS had 8.8% fewer employees, including many that were permanent employees, and the DPH had a 7.7% reduction, a mixture of permanent and temporary employees.

Statewide, nonsupervisory bi-weekly payroll costs decreased by \$1.6 million (4.1%) with the DAS showing a 6.9% decrease, the largest proportionate reduction in payroll expenditures.

The average annualized salary for nonsupervisory employees remained constant at about \$51,700. The DOT average paycheck increased by \$4,739 (9.5%), and the DAS average increased by \$1,253 (2.1%), while the DPH average increased by \$1,017 (2.0%). For these three departments, it appears that the positions that were eliminated were the lower-paid positions.

Table 2
Supervisory Employees Payroll Costs, Warrants Written, and
Average Pay by Department for January 2011 and August 2012

	January 2011 Payroll	Warrants January 2011	August 2012 Payroll	Warrants August 2012	Change in Payroll	Percent Change	Change in Warrants	Percent Change
DAS	\$ 142,858	37	\$ 121,538	34	\$ -21,320	-14.9%	-3	-8.1%
DOC	665,878	228	628,601	216	-37,277	-5.6%	-12	-5.3%
DE	209,773	60	178,192	54	-31,581	-15.1%	-6	-10.0%
DR	66,876	19	66,181	19	-695	-1.0%	0	0.0%
DOT	713,093	221	695,995	216	-17,098	-2.4%	-5	-2.3%
DPS	499,248	144	443,923	137	-55,325	-11.1%	-7	-4.9%
DHS	1,287,372	493	1,232,179	481	-55,193	-4.3%	-12	-2.4%
DIA	177,194	43	152,654	42	-24,540	-13.8%	-1	-2.3%
DNR	252,650	79	248,547	79	-4,103	-1.6%	0	0.0%
DPH	141,034	33	110,203	30	-30,831	-21.9%	-3	-9.1%
Other	1,431,589	384	1,100,057	337	-331,532	-23.2%	-47	-12.2%
Statewide	<u>\$ 5,587,564</u>	<u>1,741</u>	<u>\$ 4,978,070</u>	<u>1,645</u>	<u>\$ -609,494</u>	<u>-10.9%</u>	<u>-96</u>	<u>-5.5%</u>
	Jan 2011 Avg Annual Pay	Aug 2012 Avg Annual Pay	Change in Avg Pay	Percent Change				
DAS	\$ 100,386.72	\$ 92,940.92	\$ -7,446	-7.4%				
DOC	75,933	75,665	-269	-0.4%				
DE	90,902	85,796	-5,105	-5.6%				
DR	91,514	90,563	-951	-1.0%				
DOT	83,893	83,777	-116	-0.1%				
DPS	90,142	84,248	-5,894	-6.5%				
DHS	67,894	66,604	-1,290	-1.9%				
DIA	107,141	94,500	-12,641	-11.8%				
DNR	83,151	81,800	-1,350	-1.6%				
DPH	111,118	95,509	-15,608	-14.0%				
Other	96,930	84,871	-12,060	-12.4%				
Statewide	<u>\$ 83,444.38</u>	<u>\$ 78,680.73</u>	<u>\$ -4,764</u>	<u>-5.7%</u>				

Note: There was a 2.0% cost-of-living adjustment (COLA) in July 2012.

On average in Iowa, supervisors earn about 50.0% more than nonsupervisors, but the number of supervisors and supervisor paychecks has been shrinking faster than has the number of nonsupervisory employees. **Table 2** shows that supervisory payroll declined by \$609,000 (10.9%) which is more than twice the rate for nonsupervisory employees.

Proportionately, the number of supervisory positions decreased more than nonsupervisory positions. The smaller group of other State agencies reduced supervisors by 12.2%, followed by the DE at 10.0%.

Statewide, supervisors are being paid less. The average annual salary decreased by \$4,764 (5.7%). Among the larger agencies, the average pay for the DPH and the DIA supervisors had the largest decreases, declining by \$15,608 (14.0%) and \$12,641 (11.8%) respectively. The supervisors in the other smaller agencies saw an average decrease of \$12,060 (12.4%) in their annual pay. These kinds of changes occur with turnover when higher-paid experienced supervisors leave and are replaced by lower-paid new supervisors.

Table 3
Number of Supervisors Compared to Number of Nonsupervisory Employees

	Supv					Ratio					
	January 2011	Nonsupv Jan 2011	Employees Jan 2011	Percent Supv	Empl. to Supv.	Supv August 2012	Nonsupv Aug 2012	Employees Aug 2012	Percent Supv	Empl. to Supv.	Change in Ratio
DAS	37	342	379	9.8%	9.2	34	312	346	9.8%	9.2	-0.1
DOC	228	3831	4,059	5.6%	16.8	216	3661	3,877	5.6%	16.9	0.1
DE	60	698	758	7.9%	11.6	54	701	755	7.2%	13.0	1.3
DR	19	295	314	6.1%	15.5	19	292	311	6.1%	15.4	-0.2
DOT	221	2990	3,211	6.9%	13.5	216	2598	2,814	7.7%	12.0	-1.5
DPS	144	838	982	14.7%	5.8	137	788	925	14.8%	5.8	-0.1
DHS	493	5112	5,605	8.8%	10.4	481	4936	5,417	8.9%	10.3	-0.1
DIA	43	541	584	7.4%	12.6	42	530	572	7.3%	12.6	0.0
DNR	79	938	1,017	7.8%	11.9	79	1222	1,301	6.1%	15.5	3.6
DPH	33	508	541	6.1%	15.4	30	469	499	6.0%	15.6	0.2
Other	384	4185	4,569	8.4%	10.9	337	3936	4,273	7.9%	11.7	0.8
Statewide	<u>1,741</u>	<u>20,278</u>	<u>22,019</u>	7.9%	11.6	<u>1,645</u>	<u>19,445</u>	<u>21,090</u>	7.8%	11.8	0.2

Note: Some of the totals and differences may not add due to rounding.

Table 3 shows the ratio of employees to supervisors. While the number of supervisors is decreasing faster than the number of employees, the difference has not been large enough to cause much change in the ratio of employees to supervisors. The percentage of an agency's staff that is supervisors ranges from a high of 14.8% for the DPS to a low of 5.6% for the DOC. Stated another way, the DPS has the lowest ratio of supervisors to nonsupervisors at 5.8. The DAS comes in second with a ratio of 9.2. The other agencies have ratios exceeding 10.0 with the DOC having the highest ratio of 16.8 and 16.9 for the two months examined.

While the State workforce is shrinking, employee turnover is also occurring. Some vacated positions are refilled with new employees as current employees leave for other jobs, retire, get promoted, or are laid off. **Table 4** shows the turnover for nonsupervisory employees. Between January 2011 and August 2012, 2,934 nonsupervisory employees left State employment. A portion of those positions were refilled with 2,152 new employees, that is, 11.1% of the workforce was new to State employment in August 2012. Ignoring the DNR growth from temporary employees, the DPH had the largest proportion of new hires at 17.9%, and the DPS had the least at 3.3%.

From the opposite perspective, 85.0% of the nonsupervisory State employees statewide remained on the job over the 18-month period under examination. The DPS showed the most stability retaining 90.7% of the nonsupervisory employees. The DPH retained the fewest nonsupervisory employees with 75.6% staying. The other departments retained between 80.0% and 89.9% of their nonsupervisory employees.

Table 4
Turnover Among Nonsupervisory Employees

	NonSuperv Jan 2011	NonSuperv Aug 2012	Change	Percent Change	Both Pay Periods	Percent Stayed	1st Period Only	Percent Left	2nd Period Only	Percent New
DAS	342	312	-30	-8.8%	289	84.5%	49	14.3%	19	6.1%
DOC	3,831	3,661	-170	-4.4%	3,433	89.6%	388	10.1%	227	6.2%
DE	698	701	3	0.4%	607	87.0%	87	12.5%	90	12.8%
DR	295	292	-3	-1.0%	261	88.5%	31	10.5%	31	10.6%
DOT	2,990	2,598	-392	-13.1%	2,468	82.5%	510	17.1%	122	4.7%
DPS	838	788	-50	-6.0%	760	90.7%	67	8.0%	26	3.3%
DHS	5,112	4,936	-176	-3.4%	4,389	85.9%	699	13.7%	531	10.8%
DIA	541	530	-11	-2.0%	470	86.9%	69	12.8%	59	11.1%
DNR	938	1,222	284	30.3%	832	88.7%	103	11.0%	388	31.8%
DPH	508	469	-39	-7.7%	384	75.6%	122	24.0%	84	17.9%
Other	4,185	3,936	-249	-5.9%	3,346	80.0%	809	19.3%	575	14.6%
Statewide	<u>20,278</u>	<u>19,445</u>	<u>-833</u>	<u>-4.1%</u>	<u>17,239</u>	<u>85.0%</u>	<u>2,934</u>	<u>14.5%</u>	<u>2,152</u>	<u>11.1%</u>

	Became Nonsupv	Percent to Nonsupv	Became Supervisor	Percent to Supv
DAS	4	1.2%	4	1.2%
DOC	1	0.0%	10	0.3%
DE	4	0.6%	4	0.6%
DR	0	0.0%	3	1.0%
DOT	8	0.3%	12	0.4%
DPS	2	0.2%	11	1.3%
DHS	16	0.3%	24	0.5%
DIA	1	0.2%	2	0.4%
DNR	2	0.2%	3	0.3%
DPH	1	0.2%	2	0.4%
Other	<u>15</u>	<u>0.4%</u>	<u>30</u>	<u>0.7%</u>
Statewide	<u>54</u>	<u>0.3%</u>	<u>105</u>	<u>0.5%</u>

Notes: Both Pay Periods means that the employee was employed in both the January 2011 and August 2012 pay periods.
Percent Stayed is the number of employees paid in both pay periods divided by the number of employees January 2011.
Percent Left is the number of employees paid in the first pay period only divided by the number of employees January 2011.
Percent New is the number of employees paid in the second pay period divided by the number of employees August 2012.
Percent Became Nonsupervisors is the number of employees who became nonsupervisors divided by the number of nonsupervisors January 2011.
Percent Became Supervisors is the number of employees who became supervisors divided by the number of nonsupervisors January 2011.

Table 5 shows the turnover among supervisors. In August 2012, 83.6% of the supervisors across the State had been employed as supervisors 18 months earlier. A total of 232 supervisors left State employment and another 54 moved to nonsupervisory positions for a total of 286 vacated supervisory positions. They were replaced by 85 new hires and 105 promotions for a total reduction of 96 supervisors. Combining the promotions and new hires, there was an 11.2% statewide turnover rate for supervisors over the 18-month period, a rate similar to nonsupervisory employees.

**Table 5
Turnover Among Supervisory Employees**

	Supervisors Jan 2011	Supervisors Aug 2012	Change	Percent Change	Both Pay Periods	Percent Stayed	1st Period Only	Percent Left	2nd Period Only	Percent New
DAS	37	34	-3	-8.1%	23	62.2%	10	27.0%	7	20.6%
DOC	228	216	-12	-5.3%	203	89.0%	24	10.5%	3	1.4%
DE	60	54	-6	-10.0%	46	76.7%	10	16.7%	4	7.4%
DR	19	19	0	0.0%	14	73.7%	5	26.3%	2	10.5%
DOT	221	216	-5	-2.3%	201	91.0%	12	5.4%	3	1.4%
DPS	144	137	-7	-4.9%	126	87.5%	16	11.1%	0	0.0%
DHS	493	481	-12	-2.4%	423	85.8%	54	11.0%	34	7.1%
DIA	43	42	-1	-2.3%	40	93.0%	2	4.7%	0	0.0%
DNR	79	79	0	0.0%	73	92.4%	4	5.1%	3	3.8%
DPH	33	30	-3	-9.1%	26	78.8%	6	18.2%	2	6.7%
Other	384	337	-47	-12.2%	280	72.9%	89	23.2%	27	8.0%
Statewide	<u>1,741</u>	<u>1,645</u>	<u>-96</u>	<u>-5.5%</u>	<u>1,455</u>	<u>83.6%</u>	<u>232</u>	<u>13.3%</u>	<u>85</u>	<u>5.2%</u>

	Became Nonsupv	Percent to Nonsupv	Became Supervisor	Percent to Supv
DAS	4	10.8%	4	10.8%
DOC	1	0.4%	10	4.4%
DE	4	6.7%	4	6.7%
DR	0	0.0%	3	15.8%
DOT	8	3.6%	12	5.4%
DPS	2	1.4%	11	7.6%
DHS	16	3.2%	24	4.9%
DIA	1	2.3%	2	4.7%
DNR	2	2.5%	3	3.8%
DPH	1	3.0%	2	6.1%
Other	15	3.9%	30	7.8%
Statewide	<u>54</u>	<u>3.1%</u>	<u>105</u>	<u>6.0%</u>

Notes: Both Pay Periods means that the employee was employed in both the January 2011 and August 2012 pay periods.
 Percent Stayed is the number of supervisors paid in both pay periods divided by the number of supervisors January 2011.
 Percent Left is the number of supervisors paid in the first pay period only divided by the number of supervisors January 2011.
 Percent New is the number of supervisors paid in the second pay period divided by the number of supervisors August 2012.
 Percent Became Nonsupervisors is the number of employees who became nonsupervisors divided by the number of supervisors January 2011.
 Percent Became Supervisors is the number of employees who became supervisors divided by the number of supervisors January 2011.

POTENTIAL EMPLOYEE TURNOVER COSTS

The headcount of individuals employed by the State has decreased by 929 individuals over the past 18 months, and payroll expenses have decreased by 4.9% and when annualized this decrease would be about \$58.4 million.

Every organization has turnover. Employees retire, leave for other opportunities, are fired, and get promoted leaving vacancies to be filled. The costs for filling the vacant positions typically are not estimated and go unrecognized. These costs include exit costs, recruiting, interviewing, hiring, orientation, training, compensation and benefits while training, lost productivity, customer dissatisfaction, reduced or lost business, administrative costs, lost expertise, and temporary

workers.⁴ State agencies also have costs for vacation payout, sick leave payout, and State Employee Retirement Incentive Program (SERIP) costs and may leave positions vacant until the costs are paid out.

There are also intangible costs created by turnover, such as, uncompensated increased workloads, increased workplace stress, declining employee morale, and loss of work group synergy.⁵

Some employee turnover is normal, even desirable. Turnover is beneficial when marginal or poor-performing employees are replaced by more productive ones. New employees can also bring new ideas and new expertise to the organization.

A study by the Society for Human Resources Management (SHRM)⁶ reports State and local governments have an annual turnover rate of approximately 9.0%. During the 18 months examined, the Iowa State government refilled 11.1% of the nonsupervisory positions and 11.2% of the supervisory positions. This annualizes to a 7.4% rate for nonsupervisors and 7.5% for supervisors, less than the SHRM national estimate.

Cost estimates: Turnover costs can be estimated for the 18-month period being examined using the national averages and trends. The assumptions for these calculations are:

- Excess turnover is departmental turnover exceeding the national average of 9.0%.⁶
- The cost to replace an entry level position is 30.0% to 50.0% of annual salary.⁴
- The cost to replace a mid-level employee is 150.0% of annual salary.⁴ Supervisors are considered mid-level.
- Replacing a specialized, high-level employee can cost up to 400.0% of the position's annual salary.⁴ No high-level employees were replaced in the period under examination.
- Average gross pay equals salary for these estimates. Benefits are not included.
- The DNR is dropped because of the effects of the temporary employees.

Table 6, on the following page, shows the excess turnover cost estimates for nonsupervisory positions. The DPH and the other smaller State agencies exceeded the national average turnover rate for an estimated total cost between \$463,000 and \$771,000. The low bi-weekly average paycheck for the DPH is due to hiring part-time employees; 84 employees filled 53.0 FTE positions.

⁴ Blake, Ross. "Employee Retention: What Employee Turnover Really Costs Your Company." <http://www.webpronews.com/employee-retention-what-employee-turnover-really-costs-your-company-2006-07>

⁵ Pinkovitz, William H., Joseph Moskal and Gary Green. "How Much Does Your Employee Turnover Cost?" <http://www.uwex.edu/ces/cced/economies/turn.cfm>

⁶ Society for Human Resources Management, "Executive Brief: Differences in Employee Turnover Across Key Industries." http://www.shrm.org/research/benchmarks/documents/assessing%20employee%20turnover_final.pdf

Table 6
Estimated Nonsupervisory Excess Turnover

	Hired	Percent Hired	Number at 9.0% Annual Rate	Excess Turnover	Average Biweekly Salary	Annual Excess Cost at 30% Salary	Annual Excess Cost at 50% Salary
DAS	19	6.1%	42	--	\$ 2,170	--	--
DOC	227	6.2%	494	--	1,904	--	--
DE	90	12.8%	95	--	1,837	--	--
DR	31	10.6%	39	--	1,341	--	--
DOT	122	4.7%	351	--	1,633	--	--
DPS	26	3.3%	106	--	1,479	--	--
DHS	531	10.8%	666	--	1,302	--	--
DIA	59	11.1%	72	--	1,366	--	--
DNR	388	31.8%	165	NA	NA	NA	NA
DPH	84	17.9%	63	21	728	119,201	198,669
Other	575	14.6%	531	44	1,000	343,357	572,262
Statewide	<u>2,152</u>	<u>11.1%</u>	<u>2,624</u>	<u>65</u>	<u>\$ 2,728</u>	<u>\$ 462,558</u>	<u>\$ 770,931</u>

Note: The cost of replacing an entry level position is assumed to be between 30.0% and 50.0% of the annual salary. There are 26 pay periods per year. The national turnover rate of 9.0% adjusts to 13.5% when applied to an 18-month period.

Table 7 shows that two State agencies and the group of smaller other agencies generated an estimated excess turnover cost for supervisor positions of \$2.1 million. The DAS refilled the largest percentage of supervisory positions, almost three times the State average. Using the national average standard, DAS generated an estimated excess cost of \$886,000. The DR refilled supervisory positions at more than twice the State average. Compared to the national average standard, DR generated an estimated excess cost of \$290,000. It is worth noting that the DIA and the DOC's supervisory turnover rates are about half or less than the statewide average.

Table 7
Estimated Supervisory Excess Turnover

	Promoted to Supervisor	Percent Promoted	Supervisors Hired	Percent Hired	Total Supv Positions Filled	Percent Filled	Number at 9.0% Annual Rate	Excess Turnover	Average Biweekly Salary	Annual Excess Cost
DAS	4	10.8%	7	20.6%	11	31.4%	5	6	\$ 3,788	\$ 886,283
DOC	10	4.4%	3	1.4%	13	5.8%	30	--	2,492	--
DE	4	6.7%	4	7.4%	8	14.1%	8	--	2,920	--
DR	3	15.8%	2	10.5%	5	26.3%	3	2	3,715	289,736
DOT	12	5.4%	3	1.4%	15	6.8%	30	--	2,659	--
DPS	11	7.6%	0	0.0%	11	7.6%	19	--	2,463	--
DHS	24	4.9%	34	7.1%	58	11.9%	66	--	2,117	--
DIA	2	4.7%	0	0.0%	2	4.7%	6	--	2,190	--
DNR	3	3.8%	3	3.8%	6	7.6%	11	--	2,932	--
DPH	2	6.1%	2	6.7%	4	12.7%	4	--	3,400	--
Other	<u>30</u>	<u>7.8%</u>	<u>27</u>	<u>8.0%</u>	<u>57</u>	<u>15.8%</u>	<u>49</u>	<u>8</u>	<u>3,107</u>	<u>969,231</u>
Statewide	<u>105</u>	<u>6.0%</u>	<u>85</u>	<u>5.2%</u>	<u>190</u>	<u>11.2%</u>	<u>231</u>	<u>16</u>	<u>\$ 2,728</u>	<u>\$ 2,145,250</u>

Note: The cost of replacing a supervisor is assumed to be 150.0% of the annual salary. There are 26 pay periods per year. The national turnover rate of 9.0% adjusts to 13.5% when applied to an 18-month period.

Table 8 compares the excess turnover costs to the departments' annual payroll costs. The excess turnover costs for the DAS exceeded the other State agencies costing 4.0% of the annualized payroll. The DR's excess turnover costs were less than half that of DAS at 1.6% of annual payroll.

Table 8
Estimated Excess Turnover Costs Compared to Annual Payroll

	Nonsupv Annual Payroll	Superv Annual Payroll	Total Annual Payroll	Excess Nonsupv Turnover Cost		Excess Superv Turnover Cost	Total Excess Turnover Cost		Excess Cost as % of Payroll
				30% of Salary	50% of Salary		Minimum	Maximum	
DAS	\$ 19,247,455	\$ 3,159,991	\$ 22,407,446	--	--	\$ 886,283	\$ 886,283	\$ 886,283	4.0%
DOC	199,833,239	16,343,621	216,176,860	--	--	--	--	--	--
DE	41,909,060	4,632,991	46,542,051	--	--	--	--	--	--
DR	16,235,041	1,720,700	17,955,741	--	--	289,736	289,736	289,736	1.6%
DOT	141,976,473	18,095,866	160,072,338	--	--	--	--	--	--
DPS	45,813,119	11,542,001	57,355,119	--	--	--	--	--	--
DHS	228,570,375	32,036,648	260,607,022	--	--	--	--	--	--
DIA	31,636,963	3,969,011	35,605,974	--	--	--	--	--	--
DNR	NA	NA	NA	NA	NA	NA	NA	NA	NA
DPH	24,304,764	2,865,273	27,170,037	119,201	198,669	--	119,201	198,669	0.4%
Other	201,187,250	28,601,479	229,788,730	343,357	572,262	969,231	1,312,588	1,541,493	0.6%
Statewide	<u>950,713,737</u>	<u>122,967,581</u>	<u>\$ 1,073,681,319</u>	<u>\$ 462,558</u>	<u>\$ 770,931</u>	<u>\$2,145,250</u>	<u>\$2,607,808</u>	<u>\$ 2,916,181</u>	0.2%

Note: Annualized payroll is the August 2012 payroll times the number of pay periods per year (26). The Department of Natural Resources was not included because of the temporary employee impact.

SUMMARY

Between January 25, 2011, and August 7, 2012, the number of individuals receiving paychecks from State agencies declined by 929 employees. In terms of FTE positions, there was a decrease of 641.0 FTE positions. Payroll costs showed a corresponding decrease of \$58.4 million over the 18-month period. Not all of these costs are savings to the State budget. If jobs are outsourced, the costs reappear as outside contract costs. For example, the DAS eliminated vacant janitorial positions and some staff that oversaw construction projects through outsourcing with a projected net savings after paying for outside suppliers.⁷

During this time, State agencies also experienced employee turnover and the costs associated with replacing employees who left. Some turnover and the associated costs are inevitable. Some of the costs are direct cash outlays to pay for advertising the opening, for travel for persons interviewing for a position, hiring placement services to locate new employees, and other such items. Many of the costs are opportunity costs for agency personnel. Agency administrators and perhaps senior staff must spend their time reviewing resumes, interviewing candidates, and related activities instead of performing other regular job responsibilities. Staff may absorb the extra workload for the vacant position and this can translate into service delays, more stress, and decreased morale. These opportunity costs translate into reduced organizational efficiencies. The State agencies with lower turnover rates avoid the costs of replacing staff at the normal rates and are able to focus their work efforts on their other primary functions, that is, they operate more efficiently.

⁷ Fiscal Services Division of the Legislative Services Agency, *Issue Review* titled "[Department of Administrative Services Cost Savings](#)" examines the department's outsourcing of janitorial services and construction management services.

This analysis identified three of the larger State agencies with turnover in excess of the national average rate for the 18-month period examined. The DAS excess turnover was estimated to cost \$886,000 or 4.0% of its annualized payroll. The time, effort, and added expenses from excess turnover totaled between an estimated \$2.6 million and \$2.9 million statewide. Since many of these costs are opportunity costs, they will not be listed in an expense report but are absorbed as lost efficiencies.

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